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> Europe's economic recovery is broadly sound, but the sovereign debt crisis in parts of the euro area needs to be tackled before it causes trouble in the heart of Europe and spills over to the rest of the world, the IMF says in its latest assessment of the region's future.

There is so much Greece "news" out there each day. You read them all so no use to re-iterate them here again. We said most that was worth saying over a year ago. Just go to our search page and explore yourself [1]. How of earth can we feel sorry for the tax avoiding Greeks protesting on the streets. When we really think they are lazy early-retirement, public sector workers voting for the party promoting public sector works, at the same time super rich and not so super but still rich not paying or at least not declaring their pool. Just that silly story about 500 or so pools declared in Athens while satellite images show 30 times or more around its suburbs - it just tells the fraction of the story of where we are with the Greeks. Or, how it was in the 19th century when Greece was in a state on bankruptcy half of the time. Or, in 1999, when Eurostat had their secret meetings agreeing with themselves that Greece "correctly" qualifies to the EMU hence the euro - **WHAT A BLUFF!** Greece just set up their first independent statistical agency THIS YEAR. And J-C Juncker still complains that they need to get their damn statistics right. How on earth did they do it in 1999 then? By partner declaration and other statistical methodological mumbo jumbo. I know. I was there, I saw it. Although I was working with just a small part of the NATIONAL ACCOUNTS, the FDI (Foreign Direct Investments). If let's say Sweden's SCB declared 3 bn euro (or 30 bn SEK) was exported to Greece, then we can declare that as IMPORTED by Greece cannot we? Then we used some other magic and we got a complete picture of Greece and its FDI. Imagine the same with the rest forming the GDP...

This is what IMF had to say today after the EUROGROUP could not agree but to toss back the monkey at the Greeks:

The meeting with the Eurogroup today concluded the discussion of the 2011 Article IV mission of the IMF with the euro area. This is a long-standing tradition that exemplifies the intensive and productive dialogue between the Eurogroup and the IMF. This dialogue has always been important, and is certainly so today.

This year's consultation is somewhat out of the ordinary, not only because of the IMF's program involvement with several euro area member states, but also because it includes two additional reports:

- An assessment of the European Union's financial stability framework, called the **European Financial Stability Framework Exercise (EFFE)**, which is a complement to individual country Financial Sector Assessment Programs, and;
- A report on the impact of the euro area and its policies on the global economy. This **spillover analysis** is part of a larger IMF effort to map the interactions between the large and systemic global economies. In addition to the euro area, this includes the United States, Japan, China, and the United Kingdom. The spillover reports are a new tool in the IMF's toolkit to strengthen our analysis of multilateral economic and policy interactions in the wake of the global financial crisis. Reflecting the nature of the euro area's links with the global economy, the report focused on financial and trade linkages in particular.

The findings of these two reports have been integrated in the Article IV consultation discussions with euro area authorities. Our **concluding statement** has been made available and will be posted on the IMF's website. We have two main messages:

- *First, the recovery is broadly sound, but the sovereign crisis in the periphery remains a risk and will require continued action and attention to avoid it causing trouble in the core and spilling over to the rest of the world.*
- *Second, regardless of the crisis in the periphery, the ongoing efforts to secure a dynamic and resilient monetary union remain relevant and should be further strengthened.*

Some key points:

The crisis has brought the euro area to a crossroads—and the management of the ongoing sovereign debt problems in several countries is a key element in this. Clearly, only a cohesive and cooperative approach to **crisis management** will be successful. This means that the determined commitment to reforms and adjustment in the program countries must continue--including immediate and far-reaching structural reforms, privatization, and the opening of markets to foreign ownership and competition. A cooperative approach also requires continued euro area financial support under the right conditions to allow and foster success: a scaled up but also a more flexible EFSF will be important; and it is essential to bring the debate about debt re-structuring and the set up of the ESM quickly to a close.

Turning to the **financial sector**, the agenda has been clear for a while. But it is important now to push further ahead with implementation. It is imperative that the ongoing bank stress tests lead to a fundamental strengthening of the capital positions of euro area banks. Market-based solutions to add capital should dominate. For example: why not foster cross-border takeovers? Why not focus on the development of corporate bond markets and re-establish high quality securitization--to support firms while banks adapt to the new regulatory environment?

The path to more growth is through **more economic integration**. The recovery is broadly sound, even though growth remains uneven and moderate overall. Low growth aggravates banking problems, makes the necessary fiscal consolidation more difficult, and does little to reduce the still high unemployment in much of the region. Policymakers have focused on national priorities, but the solution for growth is completing the single market. Labor and equity capital have to flow freely across borders to wherever they are needed most to unleash Europe's growth potential and create new jobs. Opening capital markets, not only for banks, is particularly important in this respect. To use a catchphrase: well-working markets have no need for "national champions."

But the single market cannot blossom without stronger common rules and more intrusive governance. Briefly, the euro area needs

- A more **integrated financial stability framework**. Strong common rules for regulation and supervision are crucial. These rules should have sufficient flexibility to deal with macro-prudential risks, coordinated by the European Systemic Risk Board (ESRB). There has been a lot of progress here, but still more needs to be done to strengthen joint crisis management and resolution with a common backstop financed by the financial industry to protect taxpayers.
- The euro area also needs to continue to strengthen its **economic governance**. To make a difference, rules will have to be more intrusive and do a better job shaping national policies. This means more automatic rules, implemented within tighter deadlines, and a greater say for the Commission in handling the Stability and Growth pact (SGP), the Excessive Deficit Procedure (EDP) and the new Excessive Imbalances Procedure.

To conclude, the euro area is a **globally important economy**. Our analysis suggests that the spillovers from the ongoing difficulties in the periphery are relatively small. But it also shows that the crisis would be felt much more strongly around the world if it spread to the banks in the core of the euro area. This entails an important message. It implies that success in managing the current crisis, deepening integration, and improving governance will benefit not only the euro area but also the global economy.

Looking ahead, it is important to learn from the crisis and define a **clear vision for the future**. The story of European integration since WWII has been an incredible success—not least because the leaders that built the European Union and the euro area looked beyond the crises of their day. Indeed, if the euro area is to be more stable and resilient and live up to its growth potential, it will have to press ahead with a broad reform agenda now. Many welcome initiatives are under way, but in our view in nearly all areas a few crucial additional steps are needed to make them add up to a consistent set up.
